Land Management Services

Annual Report 2003-2004

Manitoba

a Special Operating Agency of Manitoba Transportation and Government Services

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Letter to the Lieutenant Governor

MINISTER OF TRANSPORTATION
AND GOVERNMENT SERVICES

July 14, 2004

The Honourable John Harvard
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

I have the honour of presenting the Annual Report of Land Management Services (LMS) for the fiscal year ended March 31, 2004.

LMS, formerly the Land Acquisition Branch was created in 1965 as part of the Department of Public Works, with the responsibility of bringing consistency and uniformity to the process of real estate acquisition by Government. In 1993, the head office was decentralized from Winnipeg to Portage la Prairie while regional offices continue to be located in Brandon and Dauphin. Effective April 1, 1995, the Land Acquisition Branch was designated a Special Operating Agency using the operating name of Land Management Services.

As a Special Operating Agency, LMS has been commended for its past performances and achievements and continually strives to maintain its position as the supplier of choice for Centralized Real Estate Services.

Respectfully submitted,

R Lemieux

Ron Lemieux
Minister Responsible for
Land Management Services Agency

Manitoba

Deputy Minister of
Government Services

332 Legislative Building
Winnipeg MB R3C 0V8

Telephone: (204) 945-4414
Facsimile: (204) 945-1857

July 14, 2004

Honourable Ron Lemieux
Minister Responsible for the
Land Management Services Agency
Manitoba Transportation and Government Services
Room 203, Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Minister:

I am pleased to submit, for your consideration, the ninth Annual Report of the Land Management Services Agency for the fiscal year ended March 31, 2004.

The Agency has made positive progress in providing improvements to its operations, services and meeting financial performance in the 2003/2004 fiscal year, while operating under the Special Operating Agency (SOA) initiative.

The Agency's Advisory Board is pleased with the success of the Agency and encouraged by the commitment of its employees and the support of its stakeholders.

Respectfully submitted,

Gerry Berezuk
Deputy Minister of Government Services
Chairperson of the LMS Advisory Board

Mission Statement

Land Management Services is committed to providing quality comprehensive land management services to various levels of Government Departments, Boards, Commissions, Corporations, Agencies and Clients.

Manitoba

Message from the Chief Operating Officer

On behalf of the management and staff, I am pleased to report on the activities, challenges and opportunities of Land Management Services (LMS).

2003/2004 represents the ninth year of operation for LMS as a Special Operating Agency (SOA).

LMS has identified succession planning and staffing as critical to the Agency's performance, and has implemented strategies to ensure a continuity of service and delivery through internal re-organization, and the hiring and training of new staff prior to pending retirements.

Highlights of the Year:

The Agency continues to be successful in the Assessment Review area within the City of Winnipeg, achieving a reduction in assessment of $7,839,600 from 36 properties appealed. Total assessment reductions achieved by the Agency to date are $211,900,000 with annualized savings of $10,600,000.

The Agency's number one priority on behalf of Manitoba Transportation for 2003/2004 was the acquisition of right-of-way for the TransCanada Highway No. 1 from Virden to the Saskatchewan border, involving 59 properties and 955 acres of land.

LMS continues to be involved in acquiring right-of-way for the Department of Conservation, Water Branch as well as providing site demolition-restoration-cleanup.

LMS is an active participant in the sustainable development initiative, increasing the use of ethanol blended fuels to 67% based on the number of litres purchased; recycled ink cartridges, shredded paper is recycled off site and all paper purchased is 30% post consumer.

As the Chief Operating Officer, I commend the staff for their energy, ideas and contribution in making the Agency a success and creating an enviable work environment. While our new employees are the Agency's future, I acknowledge and thank those employees who have retired after many years of service.

Respectfully,

Rae P. Csversko
Chief Operating Officer, B.A., AACI, P.App

1 Agency Profile

1.1 Mandate

The Land Acquisition Branch was created in 1965 as part of the then Department of Public Works. The Land Acquisition Act was passed into law in the same year to bring consistency and uniformity to the process of real estate acquisition by Government. Part I of The Land Acquisition Act established the Land Acquisition Branch and Part II established the Land Value Appraisal Commission.

The Land Acquisition Branch was made responsible for the appraisal and acquisition of real property for Departments and Government Agencies, as well as the disposal of surplus buildings and land acquired on behalf of Government by the Branch.

The head office was decentralized to Portage la Prairie in April 1993 with regional offices continuing to be located in Dauphin and Brandon, with appraisers located in Winnipeg, Dauphin, Brandon, and Portage la Prairie.

Under the Act, the Minister responsible for the Branch is in charge of all matters relating to the acquisition of land or the expropriation of land by any authority. However, this does not include The Manitoba Agricultural Credit Corporation, The Manitoba Development Corporation or any utility.

1.2 Agency Development

In the mid to late 1950's, the Manitoba Government embarked on three of the largest land acquisition programs in Provincial history. Those projects involved the purchase of land for the Greater Winnipeg Floodway, Bird's Hill Provincial Park and the Perimeter Highway around the City of Winnipeg.

The acquisition programs were undertaken by three separate provincial entities. The land for the Greater Winnipeg Floodway was acquired by a "Floodway Property Committee"; the land for Bird's Hill Provincial Park was purchased by staff from the "Crown Lands" section of the then Department of Natural Resources; and the Perimeter Highway was purchased by staff in the "Right of Way" section of the Highways Branch of the then Department of Public Works.

As each acquisition program progressed, it was determined that there was little consistency in the compensation paid for comparable land, by each entity. In fact, in some cases, the Floodway and Perimeter Highway projects affected the same landowners. However, some of those owners received different compensation from each group for comparable land.

In an effort to bring consistency and uniformity to the process of real estate acquisition by Government, The Land Acquisition Act (the Act) was passed into law in 1965. That Legislation created The Land Acquisition Branch (the Branch) and The Land Value Appraisal Commission (the LVAC). The Branch was made responsible for negotiating all land purchases by the Provincial Government departments and agencies, with the exception of The Manitoba Agricultural Credit Corporation, and Manitoba Development Fund and utilities.

The Act established specific duties and functions to be followed by the Branch when purchasing land for Government purposes. The LVAC reviewed all purchases and arbitrated compensation disagreements, to ensure all property owners received fair compensation.

It soon became evident that the new uniform procedures for purchasing land by Government developed a sense of trust in the minds of affected landowners, and produced a willingness to negotiate the sale of their property without the Government resorting to the more costly, and often criticized method of expropriating land for Provincial projects.

1 Agency Profile

Effective April 1, 1995, the Land Acquisition Branch, using the operating name of Land Management Services, was designated as a Special Operating Agency under the Special Operating Agencies Financing Authority Act, Cap.S185, C.C.S.M., and operates pursuant to a charter approved by the Lieutenant Governor in Council.

LMS continues to be part of Transportation and Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and the policy direction of the Deputy Minister of Government Services and the Minister of Transportation and Government Services. The operations of the Agency continue to be subject to relevant legislation, regulations, and administrative policy, except where specific exemptions have been provided for, in its charter to meet business objectives. LMS is economically dependent on the Province of Manitoba as it receives most of its revenues and all of its capital financing requirements from the Province.

The daily operations of LMS are managed by the Chief Operating Officer, who reports directly to the Assistant Deputy Minister of Supply and Services, a Division of Transportation and Government Services. The Chief Operating Officer provides quarterly financial reports, operational status reports, annual business plans and annual reports, to the Advisory Board for review and to the Minister for final approval.

The Advisory Board has commended the Agency for its past performance and achievements.

1.3 Our Mission

To provide comprehensive land management services to various levels of governments, departments, boards, commissions, corporations, agencies and clients.

1.4 Our Vision

To be the principal supplier of a centralized, all-inclusive real estate service to the public sector using an optimal blend of internal and external resources.

1.5 Our Goals and Objectives

Goals

- To provide Government with opportunities to reduce annual expenses for real estate interests held in Manitoba.
- To have access to a consolidated real property inventory listing all Manitoba owned land and/or buildings.
- To be the service provider of choice by all levels of Government for real estate services.

Short Term Objectives

- To continue with implementation of succession planning to ensure continuity of services.
- To ensure that an accessible, safe and secure environment is maintained for all record storage.
- To stabilize and expand LMS' information technology to enhance services and diverse marketing tools.

Business Practices & Principles

- To run Agency operations, as far as practical, according to best business practices.
- To maintain and renew equipment and other assets, in light of operational needs using appropriate methods of investment.
- To promote staff participation in the ongoing development of operational efficiencies in all aspects of operations.
- To continually assess the Agency's policies and procedures in relation to overall efficiency and effectiveness.

1.6 Operational Review

As expected, this fiscal year presented many challenges and opportunities. The Agency had anticipated many of them and by implementing formulated strategies as described in the 2003-2004 Business Plan, LMS was able to meet the challenges and capitalize on the opportunities.

Continuity of Service has been a priority of the Agency, specifically the successful execution of both succession planning and the re-organization of delivery of services. This challenge continues to be dealt with in a dominant manner through the timely delivery of quality services.

The Agency was able to capitalize on new opportunities with the realization of change management programs that enhanced the products and services. This was accomplished by developing an Asset Management concept that deals directly with Property Asset Management. LMS was able to effectively market segments of the concept specifically designed for the client's requirements.

1.7 Systems: Information and Technology Plan

As in all information based services, technology is the structural backbone that supports the employees to complete their assigned tasks. This Agency is no different in that regard. LMS has prepared a three year plan to resolve issues, reduce maintenance costs, and lay the foundation for future development. The primary objective of year one is to provide mobile users with more reliable technology and enhanced service. The year one goal has been achieved as formulated, with further results expected to commence early in the second year.

Data conversion of paper documentation into digital format for the protection of vital information continues. Of the 48,000 legal pockets, currently containing an average of 22 to 24 pages per pocket, 60% have been completed. With newer technology available a redesign of deploying this information to be accessed electronically by users has been incorporated in year two of the plan, which is the 2004-2005 fiscal year.

1.8 Human Resources

As referenced above, the Agency has been executing the succession plan in a timely manner and re-organized the process and distribution of services. The Agency has identified increased demand from clients for appraisers having a variety of skills in the Asset Management concept. There are a variety of complexities that make this business unique and demanding of specialized skills. This new area along with meeting traditional demands forces a new mix of expertise and increased workloads in the appraisal acquisition business area.

With the re-organization of the delivery of services a linking of the Legal Processing and the Sales and Leasing business areas under the title of Property Administration has been incorporated.

LMS has been analyzing client and employee requirements and workloads. This has resulted in acquiring extra in house expertise to support ongoing and increasing demands of the information technology.

LMS continues to foster employee involvement, thereby creating an environment for employee empowerment. This is being accomplished by employee development through education, implementing ideas and procedures brought forward from staff via regular meetings and encouraging discussions with individuals whose suggestions may resolve problems, issues, or increase efficiencies. New staff in all areas of the Agency have brought a new perspective creating a fresh and vibrant atmosphere.

1.9 Marketing

In the 2003-2004 fiscal year a new rate structure was introduced. The concept of the new rate structure is to provide simplicity and uniformity for charges across business areas along with reflecting various services provided in a more open format. Treasury Board endorsed the recommended changes by approving the proposed rate structure.

Substantial progress has been achieved in the development and marketing of specialized services that assist clients in ascertaining their current Asset Management position and aids in the formulation of the clients Property Asset Management planning decisions.

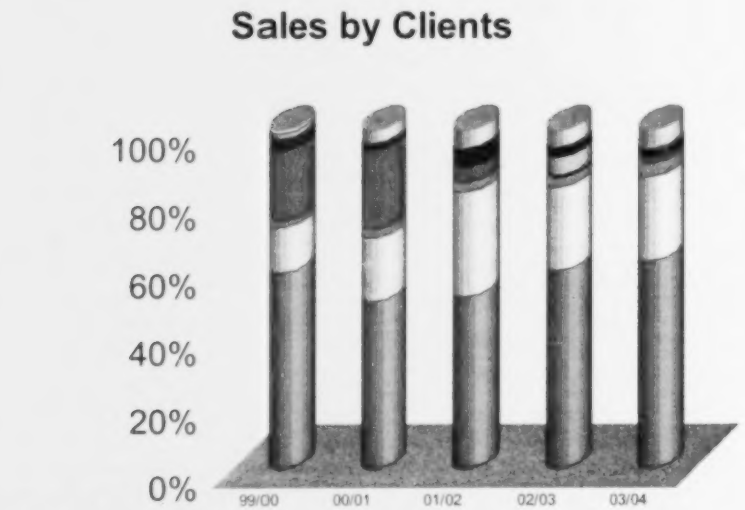
As indicated in Chart 1 (Annual Sales by Department), total sales for the Agency has increased 32% over the prior year, returning to normal levels previously experienced by LMS. This level is forecasted to continue in the forthcoming year.

Chart 2 (Sales by Clients) provides a clear picture that 86% of the Agency's general revenue was generated from two major clients. Transportation continues to remain the largest client continually providing anywhere from 50% to 65% of the general revenue generated. Conservation has once again been the second largest client for the Agency and for the third consecutive year has comprised at least 25% of general sales.

Chart 1

	99/00	00/01	01/02	02/03	03/04
Special Projects	$110,089	$35,213	$33,031	$0	$138,951
Processing	$1,054,225	$1,057,459	$655,877	$551,311	$882,783
Appraisal	$1,398,228	$1,873,818	$1,197,764	$1,078,230	$1,260,105
Sales & Leasing	$173,538	$186,090	$322,892	$332,234	$235,879
TOTAL	$2,736,080	$3,152,579	$2,209,564	$1,961,775	$2,517,718

Chart 2



	99/00	00/01	01/02	02/03	03/04
Misc. Sales	0%	4%	5%	5%	5%
Manitoba Health	1%	0%	0%	0%	0%
Manitoba Lotteries	0%	1%	6%	3%	2%
Family Services & Housing	2%	0%	0%	5%	0%
EMO	4%	1%	0%	1%	0%
University/Colleges	21%	23%	4%	0%	2%
Govt Services	2%	3%	3%	3%	4%
Manitoba Conservation	14%	19%	31%	25%	25%
Highways	58%	49%	50%	58%	61%

2 Operational Status

2.1 Appraisal and Acquisition Activities

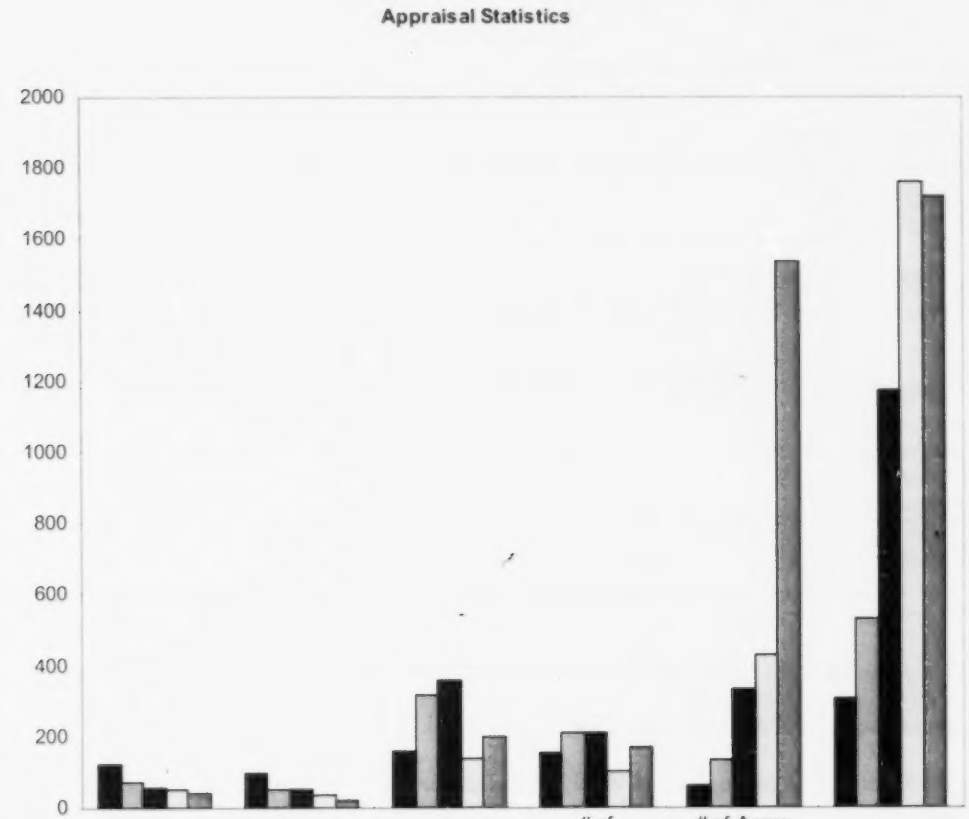
This business area provides services in the appraisal and valuation of property, which includes a broad range of services from the acquisition of right-of-way to complex commercial or special use properties. Services also include acquisition of real property through negotiation by agreement or expropriation, easement acquisitions, valuation of Crown property for disposal purposes and property assessment reviews.

An assortment of projects that highlight the Agency's broad range of services include:

- Highway No.1 West from Virden to the Saskatchewan border, this project included 59 owners totaling 955 acres for the twinning of the highway.
- Valuation of 599 Empress Street for disposal purposes.
- Valuation of Manitoba Public Insurance properties for Property Management analysis purposes.
- Valuation of Red River Community College - Princess Street Campus for assessment purposes.
- Review of 36 properties under the administration and control of Government Services within the City of Winnipeg that has resulted in a reduction of $7,839,600 in assessment together with annualized savings of $3,746,670 in Grant in Lieu of Taxes (GILT). Eight properties are pending further appeal to the Municipal Board with an expectation of additional GILT savings.
- Valuation for ground rental agreement purposes of Stevenson Aviation Technical Training Centre.

In summary the Agency completed 198 appraisals, completed 169 agreements purchasing 1,536.7 acres worth $1,995,392. As indicated in Chart 3, activities have normalized to previous levels. It is the complexity of the projects that has increased, calling for a variety of skill sets, more rigorous standards, and the ability to transact business in a fair and equitable manner for all parties concerned.

Chart 3



	# of Requests	# of Projects Completed	# of Appraisals Completed	# of Agreements Taken	# of Acres Acquired (x 10)	$ Cost LVAC (x 1,000)
99/00	122	95	156	154	63.5	$305
00/01	72	49	317	208	134.2	$532
01/02	58	50	356	208	332.6	$1,172
02/03	52	37	140	102	428.9	$1,759
03/04	42	19	198	169	1536.7	$1,718

The Agency continues to be successful in the Assessment review area. Of the 194 properties appealed, 139 properties received a reduction in assessments totaling $18,897,350. Total assessment reductions achieved by the Agency to date accumulates to $211,900,000, which converts to an estimated annualized savings of $10,600,000 in GILT. The Agency remains confident more savings will be generated pending future appeals to the Municipal Board.

2.2 Processing Activities

The focus of service in this area is the completion of all paralegal work necessary to convey ownership and/or registrar interests in land and ensures compliance with statutory requirements on behalf of clients. This includes the production of all legal documentation required to ensure policies, procedures, and statutory requirements are met when acquiring real property through agreement or expropriation. This business area also directs all payments from the client department to the beneficiary.

This business area underwent a major transitional period that lasted over a two year period. There have been major changes in all facets, from new personnel, shifting duties, changes in procedures, additional responsibilities by including expropriation, and linking this business area with the Sales and Leasing area under one manager, with the combination areas referred to as Property Administration.

Even with all these changes occurring the legal processing area met or exceeded the majority of budgetary goals/objectives set out in the 2003-2004 Business Plan pertaining to the processing of files and billing of revenues.

Two major highlights are:

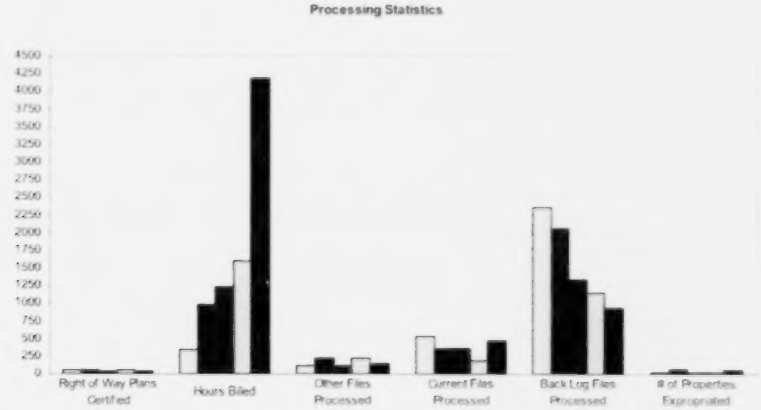
- Expropriations of No. 1 Highway West to Saskatchewan. This project demanded a very tight time frame to meet client requirements. This project was completed on schedule meeting stipulated deadlines.

- Expropriation of No. 1 Highway at Headingley is another project demanding tight time frames to meet client requirements. Although this project is currently only at the preliminary stages at the end of this fiscal year, indications are timelines will be adhered to.

Continuation of the processing of historical transactions (backlog files), which includes the verification of all agreements and takings have been completed and liabilities verified due have been compensated in full are ongoing as scheduled and as finances allow.

As indicated by Chart 4 the processing of legal files is to some extent lower than the norms of previous years. Processing finalized 1106 files consisting of 175 current files and 931 backlog files. There were 205 survey plans registered, 28 survey plans certified for registration, and expropriations consist of 43 owners on 5 projects. An additional 139 files requiring miscellaneous processing requirements at the request of client departments or affected owners were completed. A total of 4,178 hours of work have been performed on behalf of clients.

Chart 4



2.3 Sales and Leasing Activities

This business area's function is to perform all activities relating to the disposition of surplus properties by way of sale or lease as well as site restoration/demolition work to provide a clean site. This is undertaken in accordance with policies and procedures approved by Treasury Board.

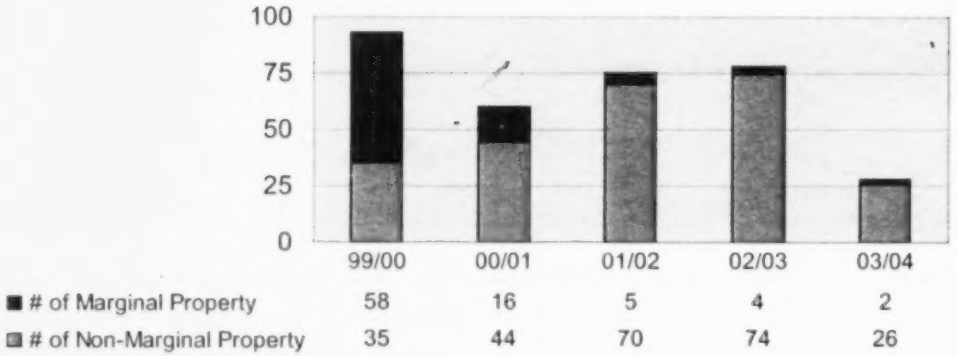
In the area of the property sales, over all activity was significantly lower than the prior years in terms of both the number of properties sold and the revenue generated by these sales. Charts 5 & 6 quantify a total of 28 properties were sold (2 of marginal value) generating $151,707 ($2,696 for marginal properties) in proceeds.

The yearly activity for leasing of properties totaled 86 leases generating $131,687 in proceeds, the majority of these leases originated from the Economic Anomalies and St. Mary's Road Conservation Flood Programs.

Revenues generated by the business area are average when comparing to the previous four years (Chart 1) even with significantly decreased property sales activity. This anomaly has occurred due to a select few high valued non-marginal properties in the disposal process that have not been concluded.

Chart 5

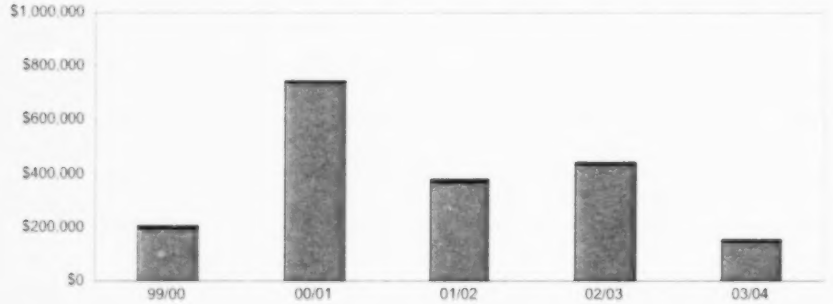
Properties Sold



	99/00	00/01	01/02	02/03	03/04
# of Marginal Property	58	16	5	4	2
# of Non-Marginal Property	35	44	70	74	26

Chart 6

Proceeds from Properties



	99/00	00/01	01/02	02/03	03/04
$ Marginal Property	$13,062	$1,746	$11,547	$1,056	$2,696
$ Non-Marginal Property	$193,017	$740,176	$365,899	$436,392	$149,011

2.4 Special Projects

Special Projects business area co-ordinates specialized activities within normal projects undertaken by other Agency business areas. Additional resources are required to successfully accomplish the client's requests.

The majority of the activities for the past year dealt with outstanding issues from various projects spanning several years. Certain projects dealt with the purchase and lease of property for Manitoba Lotteries, others included negotiations with First Nations in The Pas, and attending to acquisitions that have been brought forward to the Land Value Appraisal Commission through the contested hearings process.

3 Financial Highlights – 2003/04

FINANCIAL HIGHLIGHTS		(000's) Mar. 31/04	(000's) Mar. 31/03
Income Statement	Income Before Expenses	2,601.6	1,976.7
	Expenses	2,298.2	2,297.9
	Net Earnings (Loss)	303.4	(321.2)
Balance Sheet	Working Capital	11.4	(69.8)
	Total Assets	1,378.0	1,371.5
	Total Liabilities	1,020.9	1,067.8

4 Performance Highlights – 2003/04

PERFORMANCE HIGHLIGHTS		Mar. 31/04	Mar. 31/03
Appraisal	Agreements Certified	169	102
	Appraisals Completed	198	140
Processing	Files Finalized	1,106	1,170
	Current Processing	293	160
Sales & Leasing	Proceeds – Sale of Surplus Property [1,2]	$151.7	$437.4
	Expropriations	43	15

(1) *Purchase price (before adjustments for taxes and LMS fees) with net proceeds returned to Consolidated Fund, includes rent for properties leased. Revenue generated is dependent on availability and marketability of properties determined to be surplus by LMS' clientele.*

(2) *Assessed/appraised property values not collected for property(s) transferred between Government Departments and other levels of Governments. This amount is in addition to Sale of property proceeds (1). Properties transferred between Government Departments are normally transferred with the receiving Department paying LMS' disposal fees and not the assessed/appraised value of the property.*

5 Management Discussion & Analysis

ACTUAL TO BUDGET FINANCIAL ANALYSIS

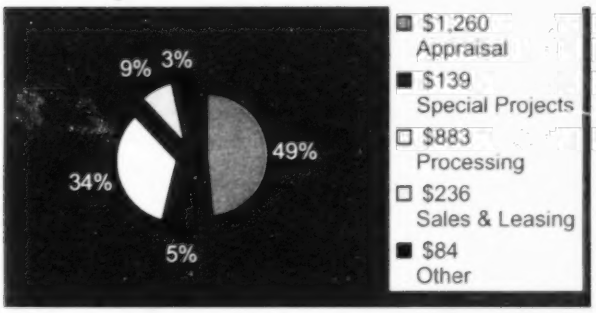
Revenues:

LMS offers professional real estate services on a fee-for-service basis, providing an economical rate structure as compared to the private sector, additionally supplying support activities to its clients that are unavailable from existing private sector services. As described in the operational status, LMS is segmented into four client service sections, the Appraisal section, the Processing (Paralegal) section, the Sales & Leasing section, and Special Projects section, which handles special requests or projects whose service requirements are not in the norm of the services provided by the other sections.

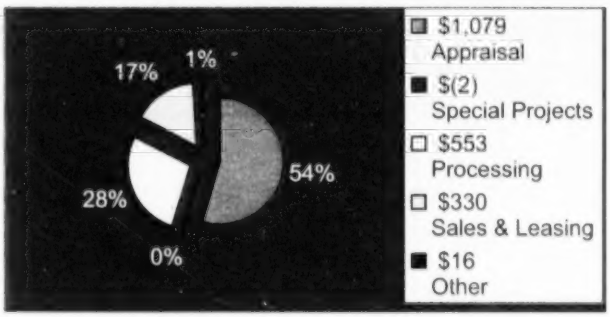
Revenues for the 2003-2004 fiscal year increased by 32% over previous year equating to a $625 increase. The revenues were 5% lower than projected with minimal impact on net income.

Source of Revenues (000's)

2003/04



2002/03



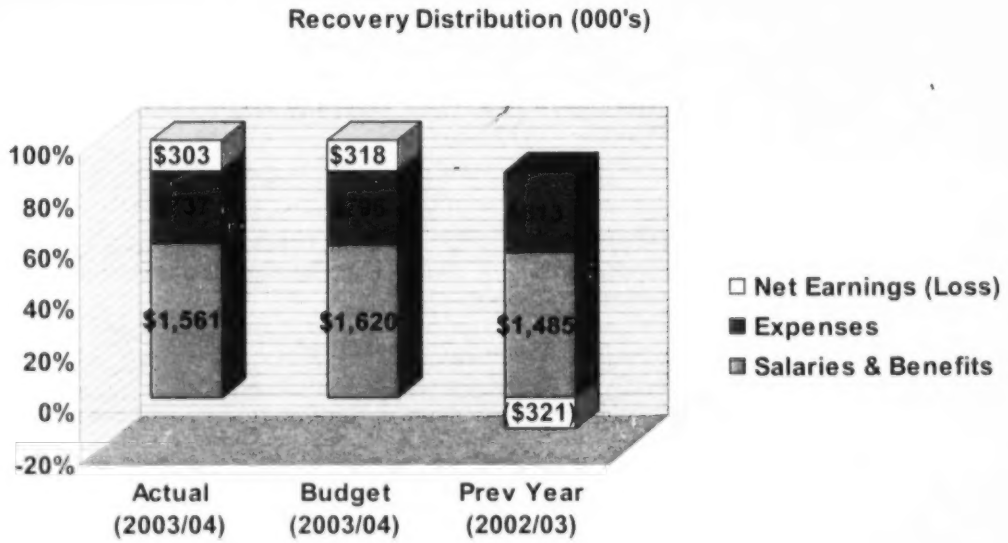
Expenses:

- **Salaries and Benefits:** Manpower expenditures registered a nominal increase of 5% or $76 over the previous year expenditure and (4)% or $(59) under forecast.

- **Administrative Expenses:** Overhead and variable expenses decreased by (9)% or $(76) from previous year and (7)% or $(59) under forecast.

In Summary, total expenses were equal to previous years performance and $(118) under projections. With the $625 increase in revenue to prior year, net income increased 194%, or the $625 increase in revenue, from the previous year's performance. Actual Net Income was (5)% lower to projected equating to a nominal variance of $15.

Land Management Services in meeting both major goals of "*Continuity of Quality Services Delivered in a Timely Manner*" and "financial performance" is a direct result of both new and long term employees' efforts and convictions to work cohesively to provide positive results translating to client satisfaction.



5 Management Discussion & Analysis

Expenses:

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- **Administrative Expenses:** Overhead and variable expenses decreased by (9)% or $(76) from previous year and (7)% or $(59) under forecast.

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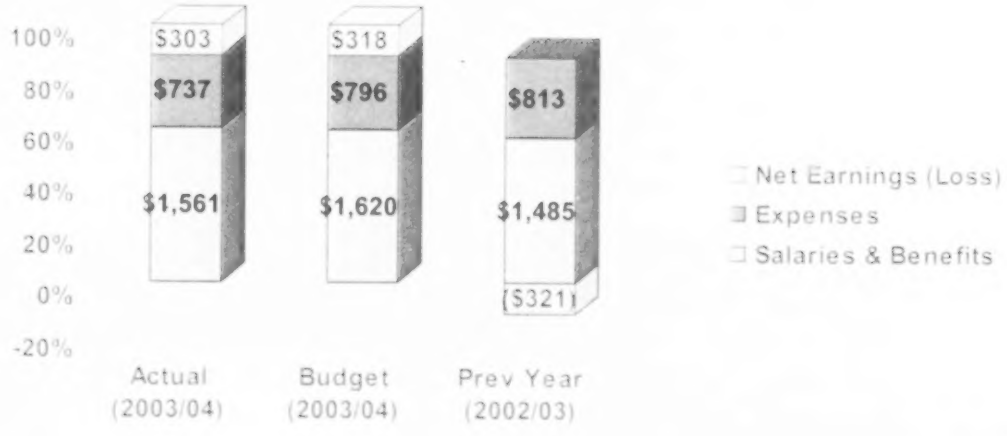
Land Management Services in meeting both major goals of *"Continuity of Quality Services Delivered in a Timely Manner"* and "financial performance" is a direct result of both new and long term employees' efforts and convictions to work cohesively to provide positive results translating to client satisfaction.

Recovery Distribution (000's)



6 Advisory Board

Supporting the Initiative: The Advisory Board's role in support of the Agency is to offer advice and direction on short and long-term strategic planning, management and reporting, as well as issues of concern to our customers and to the private and public sectors. The Board meets quarterly to review the Agency's Financial Reports, and annually to review the Business Plan, Annual Report, and any planned changes to the Agency Charter.

CHAIR	Gerry Berezuk Deputy Minister Government Services Manitoba Transportation & Government Services

MEMBERS

Private Sector Representatives	Randy Manikel RIO Management & Consulting Ltd.	
Client Representatives	John Hosang Assistant Deputy Minister Manitoba Transportation & Government Services	Dave Wotton Assistant Deputy Minister Manitoba Conservation
Ex Officio	Tracey Danowski A/Assistant Deputy Minister Manitoba Transportation & Government Services	Rae P. Csversko Chief Operating Officer Land Management Services
Staff Representative	Grace Delong Property Clerk Land Management Services	

7 Land Management Services Locations & Contacts

Portage la Prairie	308 – 25 Tupper Street North Portage la Prairie MB R1N 3K1	Phone: Fax: Email:	(204) 239-3510 (204) 239-3560 lmsinfo@gov.mb.ca
Dauphin	27 – 2nd Avenue SW Dauphin MB R7N 3E5	Phone: Fax: Email:	(204) 622-2045 (204) 638-6428 efroese@gov.mb.ca

Agency Contacts:

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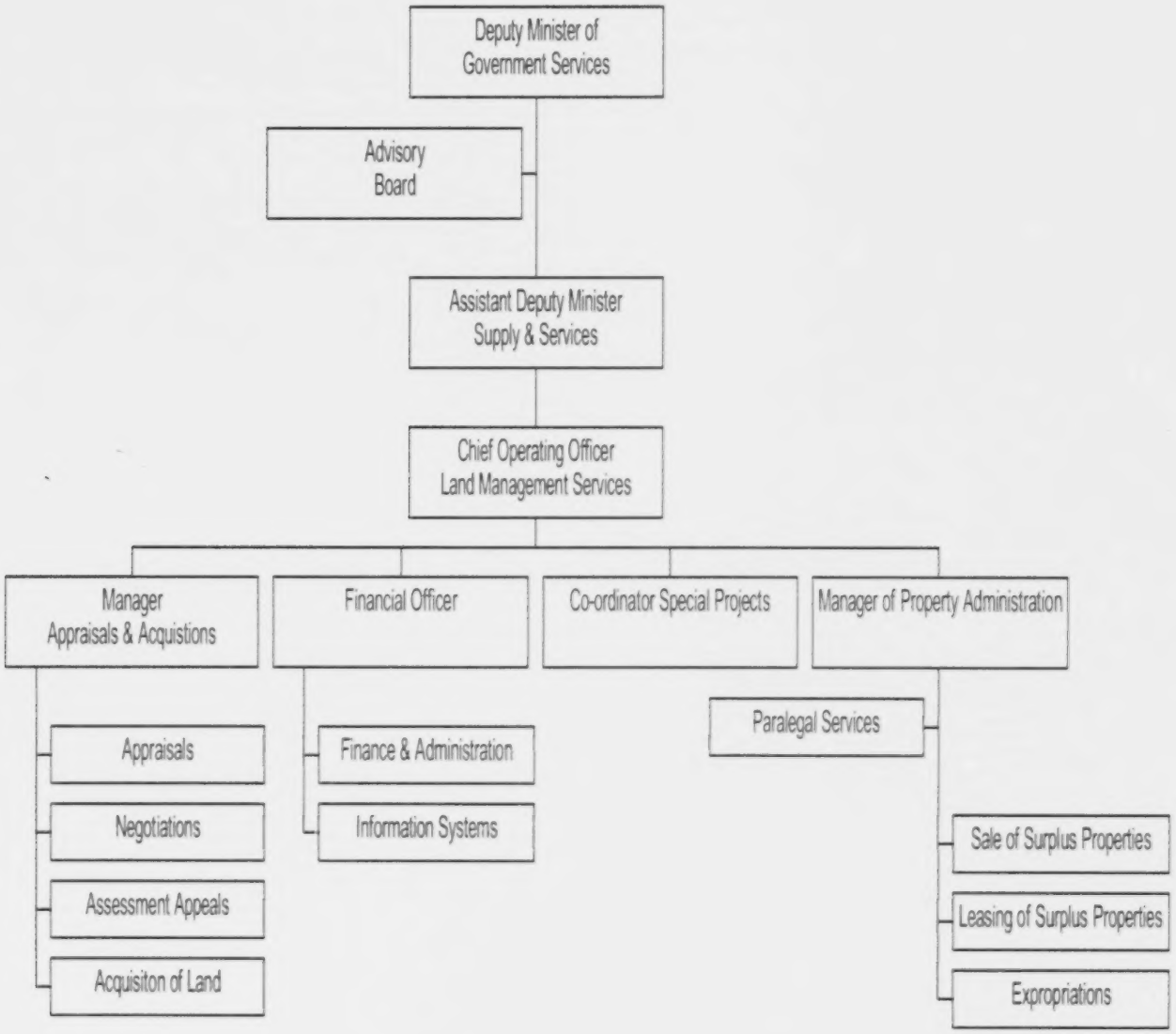
Rae P. Csversko Chief Operating Officer	(204) 239-3561	rcsversko@gov.mb.ca
Normand Le Neal Finance Officer	(204) 239-3522	nleneal@gov.mb.ca
Kurt Wright A/Manager, Appraisal & Acquisition	(204) 239-3520	kuwright@gov.mb.ca
Rod Kent Manager of Property Administration	(204) 239-3526	rkent@gov.mb.ca
Garry Dyck Co-ordinator Special Projects	(204) 239-3543	gadyck@gov.mb.ca

8 Organization Chart



Appendix A Magnus & Buffie

LAND MANAGEMENT SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2004

LAND MANAGEMENT SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2004

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

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MARCH 31, 2004

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AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Land Management Services, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2004 and the statements of income and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2004 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

May 11, 2004

CHARTERED ACCOUNTANTS

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(in thousands)

MARCH 31, 2004	**2004**	**2003**
ASSETS		
CURRENT ASSETS		
Cash and short term deposits	$ 365	$ 624
Accounts receivable	352	64
Work in process	57	55
Prepaid expenses	39	64
	813	807
DISCHARGE FUNDS HELD IN TRUST (Note 3)	3	3
RECEIVABLE FROM PROVINCE OF MANITOBA (Notes 4 and 8)	324	324
CAPITAL ASSETS (Note 5)	236	237
	$ 1,376	$ 1,371
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 258	$ 177
Property proceeds payable (Note 7)	381	522
Client funds payable	161	177
	800	876
SEVERANCE PAY LIABILITY (Note 8)	216	186
UNEARNED REVENUE (Note 3)	3	5
	1,019	1,067
EQUITY		
RETAINED EARNINGS	357	304
	$ 1,376	$ 1,371

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF INCOME AND RETAINED EARNINGS
(In thousands)
FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
RECOVERIES	$ 2,518	$ 1,960
OTHER INCOME	84	16
INCOME BEFORE EXPENSES	2,602	1,976
EXPENSES		
Administrative (Page 8)	573	682
Operating (Page 8)	165	130
Wages and benefits	1,561	1,485
	2,299	2,297
NET INCOME (LOSS) FOR THE YEAR	303	(321)
RETAINED EARNINGS, beginning of year	304	875
	607	554
REVENUE SHARING - PROVINCE OF MANITOBA	250	250
RETAINED EARNINGS, end of year	$ 357	$ 304

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOW
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net income (loss) for the year	$ 303	$ (321)
Adjustments for		
Amortization	127	158
Severance pay expense	30	(49)
	460	(212)
Changes in the following		
Accounts receivable	(288)	40
Surplus properties recoverable	-	67
Work in process	(2)	42
Prepaid expenses	25	(51)
Accounts payable and accrued liabilities	81	(66)
Property proceeds payable	(141)	226
	135	46
FINANCING ACTIVITIES		
Revenue sharing - Province of Manitoba	(250)	(250)
Change in client funds payable	(16)	(132)
	(266)	(382)
INVESTING ACTIVITY		
Capital asset additions	(128)	(80)
CHANGE IN CASH AND SHORT TERM DEPOSITS	(259)	(416)
CASH AND SHORT TERM DEPOSITS, beginning of year	624	1 040
CASH AND SHORT TERM DEPOSITS, end of year	$ 365	$ 624

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2004

1. NATURE OF ORGANIZATION

In 1965, The Land Acquisition Act was passed into law, bringing the Land Acquisition Branch into existence to provide a consistent process of real estate acquisition by government.

Effective April 1, 1995, the Land Acquisition Branch, under the operating name Land Management Services ("LMS"), was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

LMS is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from LMS operations. It finances LMS through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigorous planning and reporting requirements afforded by Special Operating status, assist LMS to sustain the provision of high quality land acquisition services to its clients.

A Management Agreement between the Financing Authority and the Minister of of Transportation and Government Services assigns responsibility to LMS to manage and account for LMS related assets and operations on behalf of the Financing Authority.

LMS continues to be part of Manitoba Government Services under the general direction of the Assistant Deputy Minister, and ultimately the policy direction of the Deputy Minister and Minister of Transportation and Government Services.

LMS remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

LMS is economically dependent on the Province of Manitoba because it derives most of its revenue and all of its financing requirements from the Province through the Financing Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Capital assets

Capital assets are recorded at cost and are amortized annually at the following rates and methods:

Computer software and equipment	20% straight line basis, 10% in year of acquisition
Equipment - office	20% straight line basis, 10% in year of acquisition
Leasehold improvements	20% straight line basis, 10% in year of acquisition

(b) Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2004

3. DISCHARGE FUNDS HELD IN TRUST AND UNEARNED REVENUE

Discharge funds held in trust and the majority of unearned revenue represents the fee for finalizing to consolidate titles on discharge of mortgages on properties being consolidated. This fee is put into a special interest bearing trust account and the revenue deferred. When the mortgage is discharged the deferred revenue will be recognized and the funds released from the trust account. It is estimated some files could be completed in as little as two years and as many as 20 years.

4. RECEIVABLE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation and severance entitlements earned by the employees of LMS prior to creation of the Special Operating Agency and severance pay benefits prior to April 1, 1998. The balance is comprised of:

	2004	2003
Vacation entitlements	$ 132	$ 132
Severance pay benefits (Note 8)	192	192
	$ 324	$ 324

The timing and collection of these receivables will vary. The receivable, or portion thereof, will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of LMS.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2004	Net Book Value 2003
Computer software and equipment	$ 1,191	$ 993	$ 198	$ 196
Equipment - office	101	66	35	36
Leasehold improvements	7	4	3	5
	$ 1,299	$ 1,063	$ 236	$ 237

6. WORKING CAPITAL

LMS has an authorized line of working capital of $800, none of which was accessed at March 31, 2004.

7 PROPERTY PROCEEDS PAYABLE

LMS disposes of general Federal, Provincial operating agency and Municipal properties on a cost recovery basis. As at March 31, 2004, LMS had received proceeds on sales in excess of disposition costs of $381 (2003 - $522) which is outstanding and due to the various entities at year end.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2004

8. SEVERANCE PAY LIABILITY

Effective April 1, 1998, LMS began recording accumulated severance pay benefits for its employees. The estimate of the liability is based on the method of calculation set by the Province.

The Province has accepted responsibility for the severance benefits accumulated by LMS's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $188 was completely offset by a receivable from the Province.

An actuarial valuation report of LMS's severance as at March 31, 2000 was completed in prior years. The receivable from the Province was restated to $192 as a result of the actuarial valuation. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the LMS's actuarial liability has been calculated to be $216 as at March 31, 2004.

9. SURPLUS PROPERTIES

LMS is responsible for the disposition of certain surplus crown-owned properties. In accordance with direction from the Provincial Treasury Board, LMS has established a $200 reserve account within retained earnings to cover any aggregate annual disposition costs which exceed the proceeds of surplus Crown-owned properties offered for sale. LMS can retain excess proceeds over disposition costs of surplus Crown-owned properties to the extent of any cumulative unrecovered historical shortages.

During the year LMS experienced a $79 surplus (2003 - $129 shortage). The cumulative unrecorded historical shortage is $50, leaving $150 in the reserve account.

10. LEASE COMMITMENTS

LMS has not entered into a lease agreement with the Province of Manitoba for rental facilities at 25 Tupper Street N. Occupancy charges for the year ending March 31, 2005 are estimated to be $104 (2004 - $104).

LMS is also leasing office equipment and vehicles from the Province of Manitoba, with future estimated lease payments as follows:

Year	Amount
2005	$ 31
2006	15
2007	10
2008	4

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF EXPENSES
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
ADMINISTRATIVE		
Amortization	$ 127	$ 158
Computer maintenance	59	34
Contributed services	44	170
Human resources overhead	18	18
Occupancy costs	104	100
Other	71	54
Supplies	100	105
Training	50	43
	$ 573	$ 682
OPERATING		
Printing, postage and advertising	$ 40	$ 20
Professional fees	33	38
Telephone	29	25
Travel	63	47
	$ 165	$ 130

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2004

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50 per annum. This information follows:

EMPLOYEE	TITLE	COMPENSATION 2004	2003
Racbum Csversko	Chief Operating Officer	$ 78	$ 73
Garfield Minkus	Property Appraiser	58	57
Scott Millar	Property Appraiser	58	57
Normand Le Neal	Controller	56	55
Larry Pearson	Property Appraiser	56	-
McLeod Jerry	Property Appraiser	55	50
Rob Lucky	Property Appraiser	53	-
Edwin Froese	Property Appraiser	52	55
Calvin Pishak	Info Technologist	50	-
John Wiebe	Property Appraiser	-	75
Lawrence Mayer	Property Appraiser	-	65
Richard Staub	Property Appraiser	-	55
Brett Ferguson	Property Appraiser	-	52

MAGNUS & BUFFIE

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To Land Management Services

We have audited the statement of receipts and disbursements of the Sale of Surplus Properties for the year ended March 31, 2004. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the receipts and disbursements of the Sale of Surplus Properties for the year ended March 31, 2004, in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

May 11, 2004

CHARTERED ACCOUNTANTS

1810-444 St. Mary Avenue, Winnipeg, Manitoba R3C 3T1 Phone (204) 942-4441 Fax (204) 944-0100

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SALE OF SURPLUS PROPERTIES
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

Total receipts	$ 182,740
Total disbursements	323,517
Deficiency of receipts over disbursements	$ (140,777)

NOTE TO STATEMENT OF RECEIPTS AND DISBURSEMENTS
MARCH 31, 2004

REPORTING ENTITY

In 1988, a program submission to the Government to identify and market land surplus to Government needs was approved.

The program was designed to relieve Government departments of the financial burden of marketing and disposal. Proceeds from the sale of surplus properties for all departments are held in trust with all marketing and disposal costs paid from the proceeds. Any surplus of proceeds over costs are returned to the consolidated fund annually.